
AGENDA

UNIVERSITY OF HOUSTON SYSTEM AUDIT AND COMPLIANCE COMMITTEE MEETING

DATE: Thursday, May 21, 2026
TIME: 9:30 AM
PLACE: LeRoy and Lucile Melcher Center for Public Broadcasting
Rebecca and John Moores Studio 116A, First Floor
4343 Elgin St.
Houston, Texas 77204

Chair: Gregory C. King
Vice Chair: Beth Madison
Members: Alonzo Cantu
Ricky Raven
Lynden Rose
Ex Officio: Jack B. Moore

- I. **Audit and Compliance Committee**
Presenter: Chair Greg C. King
- A. Call to Order
Presenter: Chair Greg C. King
- B. Approval of Committee Minutes
- March 12, 2026, Audit & Compliance Committee Meeting
Action: Approval
- C. Report on University of Houston System, Institutional Compliance Hotline Report for the three months ended April 30, 2026 3
Action: Information
Presenter: Sergio Leal, System Compliance Officer
- D. Report on External Audit Reports - University of Houston System, State Auditor Reports: 11
- State of Texas Federal Portion of the Statewide Single Audit Report for the Year Ended August 31, 2025, Report No. 26-318

(excerpts)
- State of Texas Financial Portion of the Statewide Single Audit Report for the Year Ended August 31, 2025, Report No. 26-555 (excerpts)

Action: Information
Presenter: Phil Hurd, Chief Audit Executive

E. Report on University of Houston System, Internal Audit Reports 37

Action: Information
Presenter: Phil Hurd, Chief Audit Executive

II. **Executive Session**

Presenter: Chair Greg C. King

- A. 1. Consultation with System Attorney Regarding Legal Matters and/or Contemplated Litigation or Settlement Offers
TEXAS GOV'T CODE SECTION 551.071
- 2. Deliberations regarding the Purchase, Exchange, Sale or Value of Real Property
TEXAS GOV'T CODE SECTION 551.072
- 3. Deliberation Regarding a Prospective Gift
TEXAS GOV'T CODE SECTION 551.073
- 4. Personnel Matters Relating to Appointment, Employment, Evaluation, Assignment, Duties, Discipline, or Dismissal of Officers or Employees including but not limited to the Chancellor, Presidents, Vice Chancellors, in the Division of Athletics and members of the Board of Regents
TEXAS GOV'T CODE SECTION 551.074
- Discussion Regarding Investigation
- 5. Confidentiality of government information related to security or infrastructure
issues for computers
TEXAS GOV'T CODE SECTION 552.139

III. **Report and Action from Executive Session**

Presenter: Chair Greg C. King

IV. **Adjourn**

**UNIVERSITY OF HOUSTON SYSTEM
BOARD OF REGENTS AGENDA**

COMMITTEE: Audit and Compliance

ITEM: Report on University of Houston System, Institutional Compliance Hotline Report for the three months ended April 30, 2026

DATE PREVIOUSLY SUBMITTED:

SUMMARY:



The Institutional Compliance Hotline Report summarizes the fraud and non-compliance hotline reports received for each institution during the applicable quarter, including the primary issue associated with the reports.

SUPPORTING DOCUMENTATION: Institutional Compliance Hotline Report

FISCAL NOTE:

**RECOMMENDATION/
ACTION REQUESTED:** Information

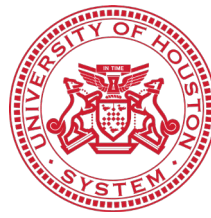
COMPONENT: University of Houston System

	4/30/2026
_____ SYSTEM-WIDE COMPLIANCE OFFICER Sergio Leal	_____ DATE
	5/18/26
_____ CHANCELLOR Renu Khator	_____ DATE



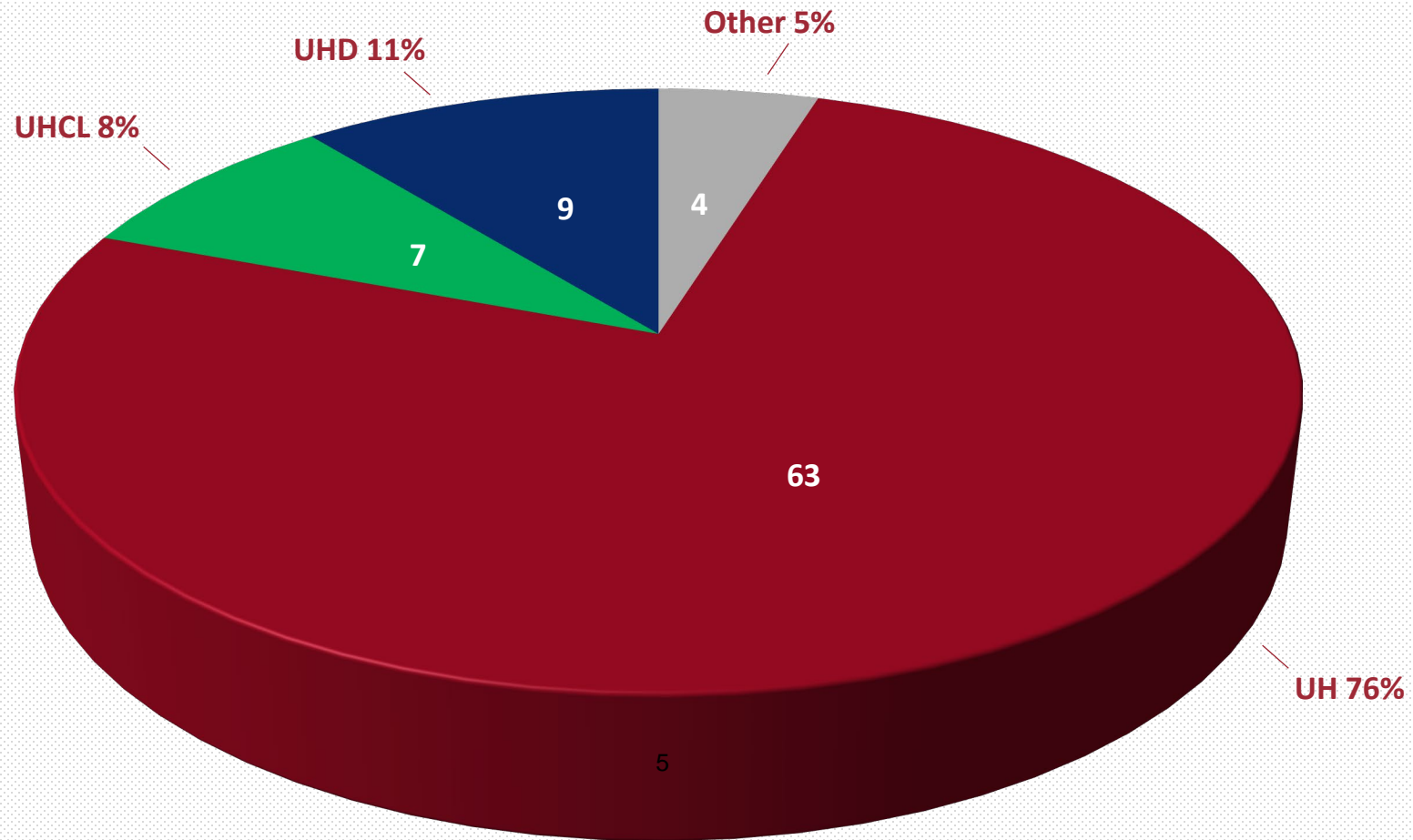
University of Houston System

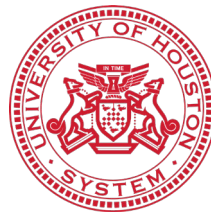
Institutional Compliance Hotline Report
for the three months ending April 30, 2026



Hotline Reports for all UHS Universities

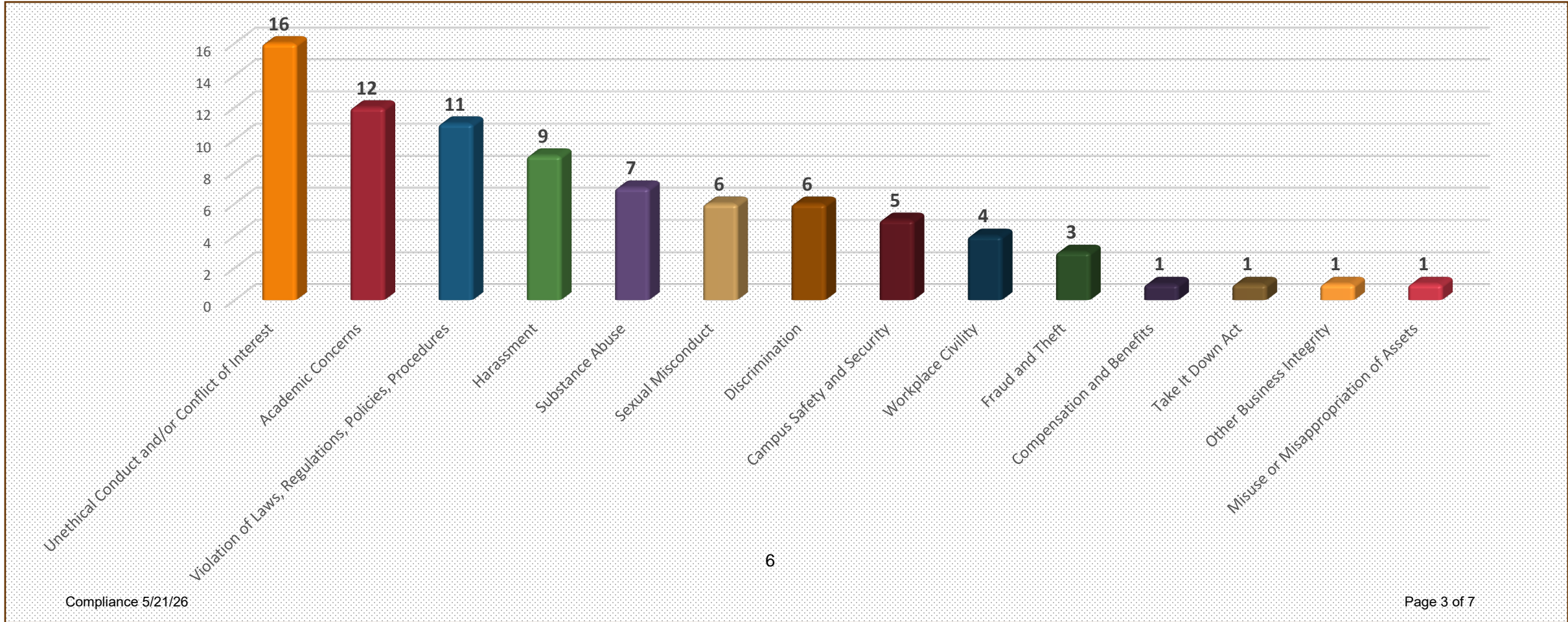
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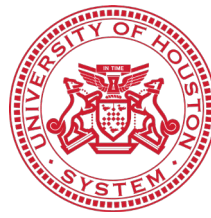




Reported Issues by Type Across UHS

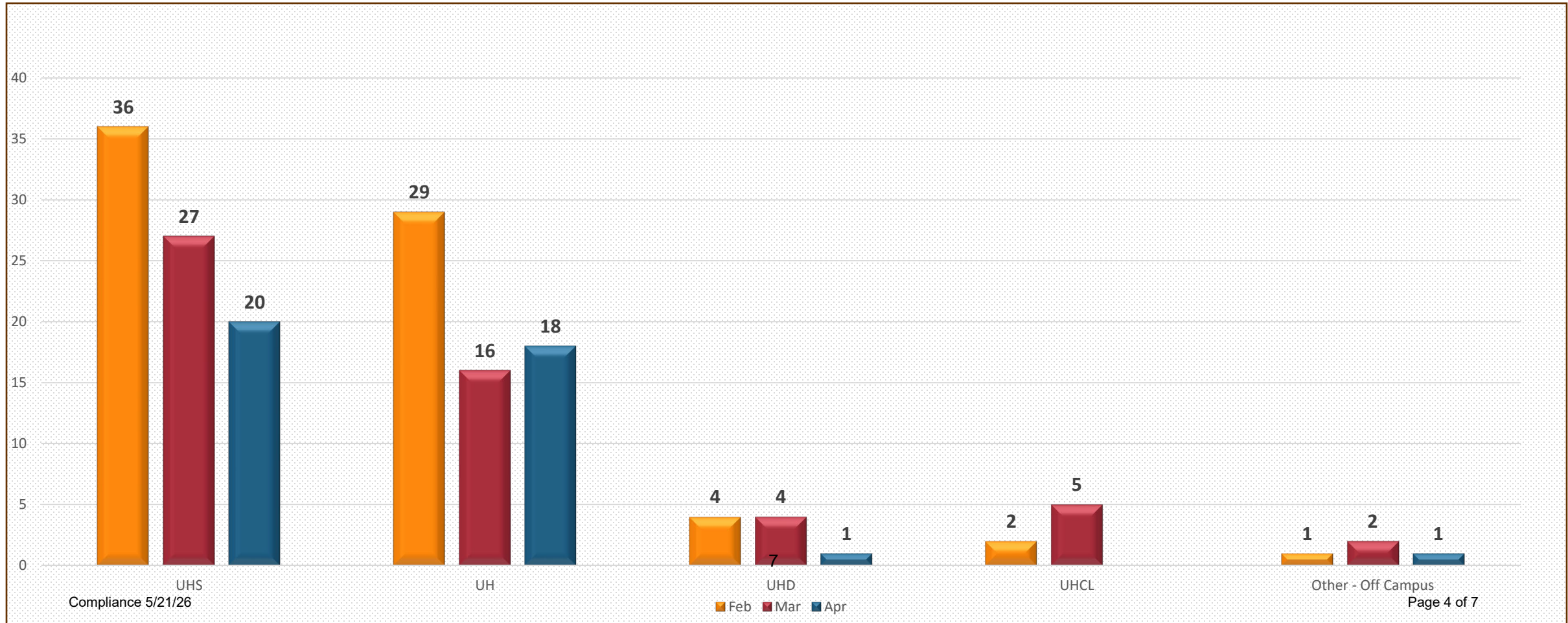
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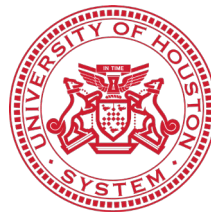




Issues Reported by Month

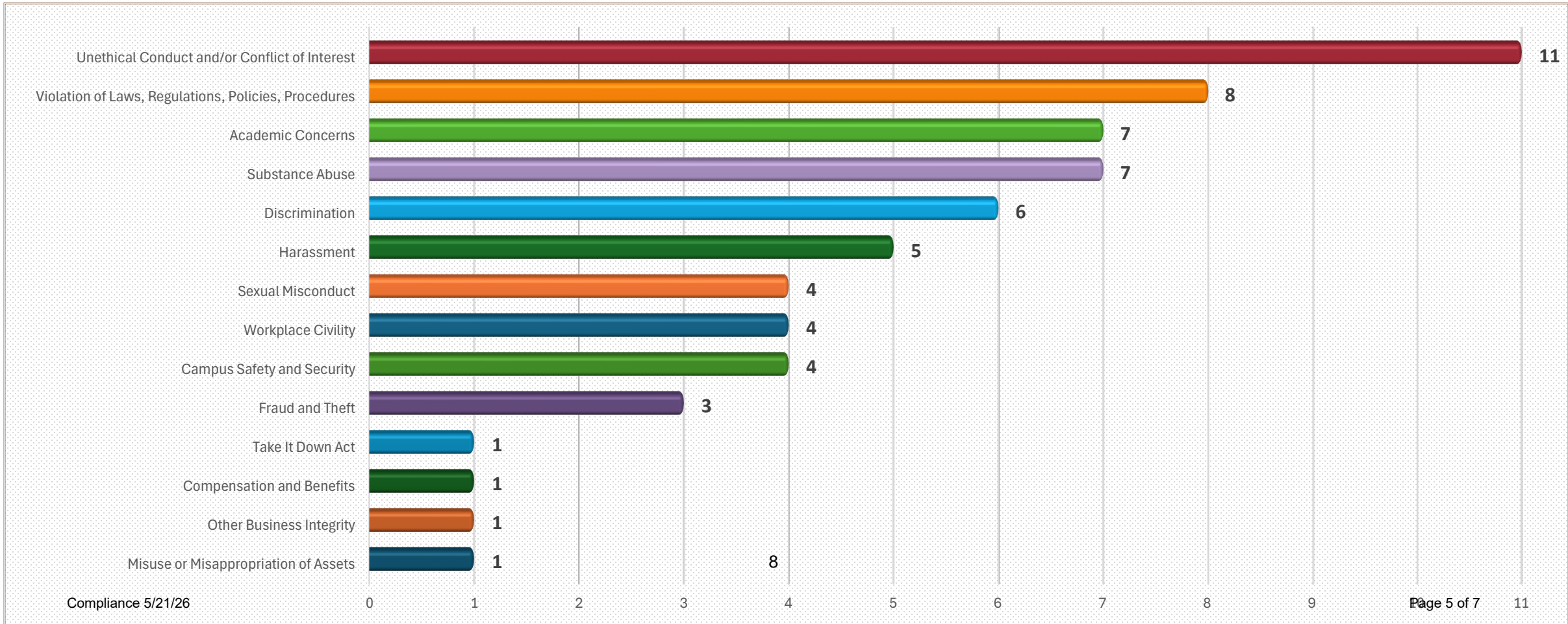
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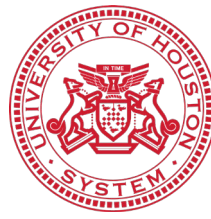




UH Issue Breakdown

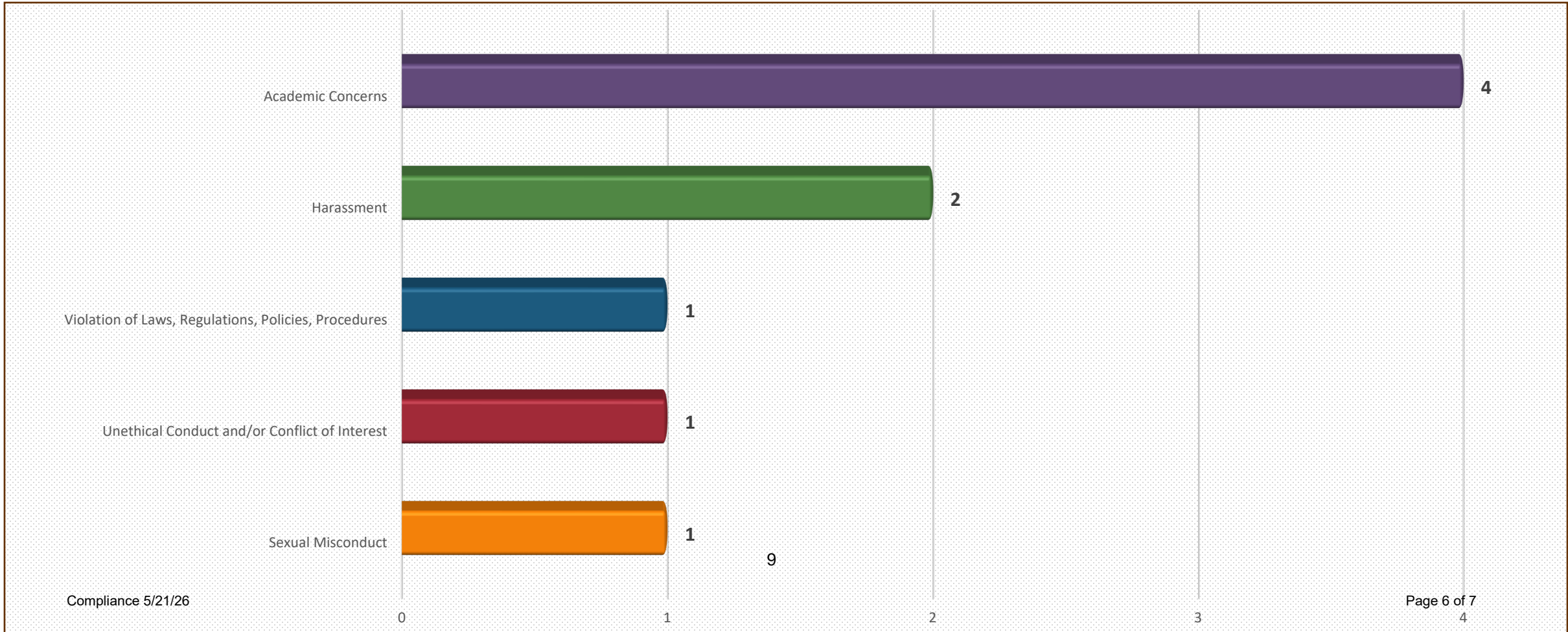
UH Total: 63

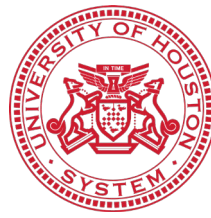




UHD Issue Breakdown

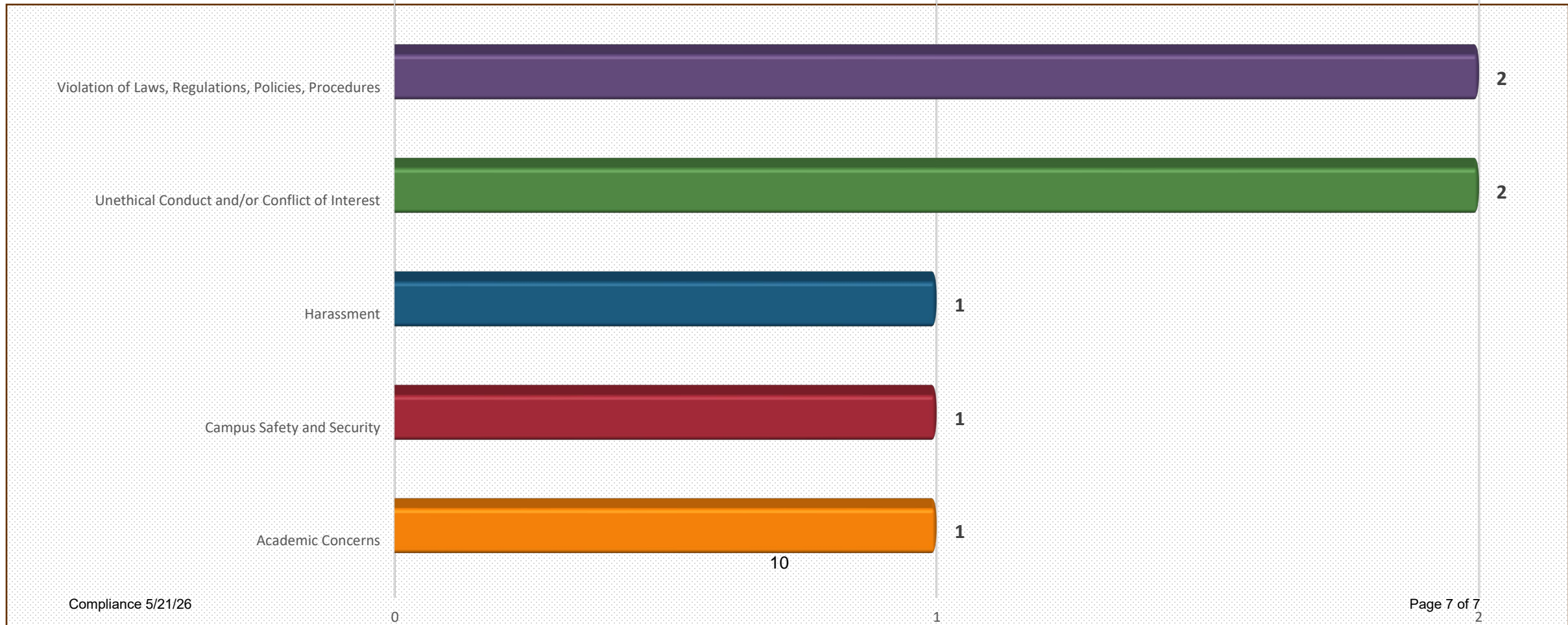
UHD Total: 9





UHCL Issue Breakdown

UHCL Total: 7



**UNIVERSITY OF HOUSTON SYSTEM
BOARD OF REGENTS AGENDA**

COMMITTEE: Audit and Compliance

ITEM: Report on External Audit Reports - University of Houston System, State Auditor Reports:

- State of Texas Federal Portion of the Statewide Single Audit Report for the Year Ended August 31, 2025, Report No. 26-318 (excerpts)
- State of Texas Financial Portion of the Statewide Single Audit Report for the Year Ended August 31, 2025, Report No. 26-555 (excerpts)

DATE PREVIOUSLY SUBMITTED:

SUMMARY:

The Audit & Compliance Committee Charter and Checklist, item number 13, requires the Committee to review any significant findings and recommendations of the State Auditor and any employed public accounting firm or other outside expertise.

Attached is the summary of "University of Houston System, Identified Findings from Federal and Financial Portions of the State of Texas Statewide Single Audit Report for the Year Ended August 31, 2025" together with excerpts from the reports related to University of Houston System universities.


SUPPORTING DOCUMENTATION:

External Audit Reports: SAO Reports 26-318 – State of Texas Federal Portion of the Statewide Single Audit Report for the Year Ended August 31, 2025 (excerpts) and 26-555 – State of Texas Financial Portion of the Statewide Single Audit Report for the Year Ended August 31, 2025 (excerpts)

FISCAL NOTE:

**RECOMMENDATION/
ACTION REQUESTED:** Information

COMPONENT: University of Houston System



CHIEF AUDIT EXECUTIVE Phillip W. Hurd

4/30/26

DATE



CHANCELLOR Renu Khator

5/18/26

DATE

State Auditor Reports

State Auditor Reports	Report No.
Identified Findings from Federal and Financial Portions of the State of Texas Statewide Single Audit Report for the Year Ended August 31, 2025	
Report No. 26-318-State of Texas Federal Portion of the Statewide Single Audit Report for the Year Ended August 31, 2025	26-318
Report No. 26-555-State of Texas Financial Portion of the Statewide Single Audit Report for the Year Ended August 31, 2025	26-555

University of Houston System
Identified Findings from Federal and Financial Portions of the State of Texas Statewide Single Audit Report
for the Year Ended August 31, 2025

Finding Report Number	University	Testing Area	Recommendation	Corrective Action Plan	Estimated Implementation Date	Implementation Status	Repeat Finding	Questioned Costs	Type of Finding
2023-153	UH	Eligibility	Award Federal Supplemental Educational Opportunity Grants (FSEOG) only to eligible students and complete post-withdrawal disbursements within a timely manner.	The Office of Scholarships and Financial Aid will create a reconciliation process that will identify all FSC EOG recipients for a given aid year. This reconciliation process will include a report/query they can be distributed weekly and on demand to identify any discrepancies that will be worked timely. The office will also assign a staff member to conduct R2T4 for quality control. The staff member will be responsible for running a query and creating a report categorizing the type of returns (i.e. - standard R2T4, Post Withdrawal, etc.) with an estimated time for completion on a weekly basis.	Not Applicable	Implemented	No	\$0	Significant Deficiency and Non-Compliance
2023-154	UH	Special Tests and Provisions - Disbursement - or On Behalf of Students	The University should strengthen its controls to ensure that it does not credit student ledger accounts for unallowable charges and obtains written authorization from students or parents prior to crediting student ledger accounts for certain charges.	<p>Significant progress has been made towards the completion of the necessary compliance adjustments. An important step, finalizing the review of the current charge item types for Title IV allowable/non-allowable purposes, has been completed. The office of Scholarships and Financial Aid has been working with SBS and Accounting to organize the requisite testing parameters and schedules for the required changes. The University is committed to implementing the necessary changes to ensure full compliance. We recognize that this initiative involves significant complexity and will require substantial resources, and we are approaching it with the due diligence required. Because of how PeopleSoft handles effective dating, this update needs to be made before the start of an aid year. To avoid mistakes and technical issues, we will introduce these changes in 2025-2026, starting with Summer 2026. This schedule ensures the updates are fully in place for the 2026-2027 academic year, beginning in Fall 2026.</p> <p>The Office of Scholarships and Financial Aid in conjunction with Student Business Services are in the early stages of implementing functionality in PeopleSoft that will allow students to provide permission to apply financial aid for charges other than allowable charges. The implementation of this functionality will allow us to obtain written authorization from students or parents prior to crediting student ledger accounts for certain charges. This is expected to be available prior to Summer 2026 registration.</p>	May 2026	Partially Implemented	No	\$0	Significant Deficiency and Non-Compliance
2023-155	UH	Special Tests and Provisions - Return of Title IV Funds	The University should calculate institutional charges in accordance with U.S. Department of Education requirements.	The University will: 1) Develop a process to identify all institutional charges and create a master list that will categorize the charges into allowable and non-allowable charges. The master list will be utilized to determine which institutional charges may be included in the calculation of Return of Title IV. (2) Coordinate with the Institute of Global Engagement and Online Functional Support to obtain evidence of academic engagement utilizing the learning management software system for students in online only course and confirm active participation for study-abroad coursework. (3) Establish a review process to ensure consistency and accuracy in R2T4 calculations. and conduct regular internal audits of a sample of R2T4 calculations to identify errors or discrepancies.	May 2026	Partially Implemented	No	\$0	Significant Deficiency and Non-Compliance
2023-156	UH	Special Tests and Provisions - Enrollment Reporting	The University should develop and implement controls to ensure that campus-level and program-level data elements are reported to NSLDS accurately and in a timely manner.	<p>The University of Houston is implementing corrective actions to ensure compliance with federal graduation reporting requirements through enhanced internal controls and accelerated processing timelines. Although federal regulations allow the 60-day reporting window to begin upon official degree posting, the University has adopted a more rigorous standard by initiating the reporting timeline from the close of the academic term. This control mitigates the risk of noncompliance resulting from external processing delays and third-party reporting cycles.</p> <p>The University will also implement ad hoc reporting procedures by requesting off-cycle data transmissions by the National Student Loan Data System (NSLDS). This mitigation strategy decreases reliance on the National Student Clearinghouse's standard automated reporting cycles and provides assurance that graduation data is transmitted and reflected in NSLDS well within required timeframes.</p>	December 2025	Partially Implemented	No	\$0	Significant Deficiency and Non-Compliance
2023-157	UH	Special Tests and Provisions - Gramm-Leach-Bliley Act - Student Information Security	The University should ensure that all elements required by the GLBA are documented and implemented in its information security program.	The University information security program and associated safeguards will be reviewed to ensure all elements of the GLBA are addressed and implemented. A plan for conducting a periodic inventory of data is being developed. A full data inventory will be completed by May 2026.	May 2026	Partially Implemented	No	\$0	Significant Deficiency and Non-Compliance
24-555-09	UH	Schedules of Expenditures of Federal Awards (SEFA)	The University of Houston should strengthen its SEFA preparation and review process to help ensure that it prepares its SEFA correctly, including reporting expenditures in the appropriate fiscal year.	The University of Houston has already implemented significant process enhancements to determine the correct dollar amount included in the SEFA Schedule 1A and Note 8. The SEFA Standard Operating Procedures have been further revised to include updated instruction on the confirmation process and the inclusion of accruals, particularly when confirming pass-through paid to the University from TDEM for Federal Disaster Relief Grants. These updated instructions include guidance on how to calculate amounts to be accrued in order to accurately report incurred expenditures related to Federal Disaster Relief Grants for the reporting fiscal year. In addition to verifying the 'Date Awarded' on the PW, the preparer will verify the amount paid by TDEM on the PW and the total amount of expenditures posted on the cost center. If the amount paid by TDEM is less than the total award amount listed on the PW and total to date expenditures posted to the cost center exceed the amount paid, the preparer will request an accrual from TDEM up to the total amount of posted expenses or up to the total award amount, whichever is the lesser amount.	Not Applicable	Implemented	Not Applicable	Not Applicable	Significant Deficiency



State of Texas Federal Portion of the

Statewide Single Audit Report for the Year Ended August 31, 2025



Lisa R. Collier, CPA, CFE, CIDA
State Auditor

14

February 2026
Report No. 26-318

INDEPENDENT AUDITORS' REPORTS
FEDERAL PORTION OF THE STATEWIDE SINGLE AUDIT REPORT
FOR THE YEAR ENDED AUGUST 31, 2025



Lisa R. Collier,
CPA, CFE, CIDA,
State Auditor

INDEPENDENT AUDITOR'S REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The Honorable Greg Abbott, Governor
The Honorable Kelly Hancock, Acting Comptroller of Public Accounts
The Honorable Dan Patrick, Lieutenant Governor
The Honorable Dustin Burrows, Speaker of the House of Representatives
and
Members of the Legislature, State of Texas


We have audited the consolidated financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component units and remaining fund information of the State of Texas, as of and for the year ended August 31, 2025, and have issued our report thereon dated February 20, 2026, which contained an unmodified opinion on those consolidated financial statements. Our audit was performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2, U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

As described in Note 1 to the Schedule of Expenditures of Federal Awards, the schedule does not include expenditures of federal awards for one blended component unit and six discrete component units of the State of Texas. Each of those component units has its own independent audit in compliance with the Uniform Guidance.

Lisa R. Collier

Lisa R. Collier, CPA, CFE, CIDA
State Auditor

February 20, 2026

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SAO Report No. 26-317

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
AND CORRECTIVE ACTION PLAN**

**FEDERAL PORTION OF THE STATEWIDE SINGLE AUDIT REPORT
FOR THE YEAR ENDED AUGUST 31, 2025**

**STATE OF TEXAS
TABLE OF CONTENTS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
AND CORRECTIVE ACTION PLAN
YEAR ENDED AUGUST 31, 2025**

SECTION II OF II (SECTION I BOUND SEPARATELY)

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – CLA

DEPARTMENT OF STATE HEALTH SERVICES	223
HEALTH AND HUMAN SERVICES COMMISSION	229
TEXAS DEPARTMENT OF AGRICULTURE	257
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS	260
TEXAS DEPARTMENT OF TRANSPORTATION	263
TEXAS VETERANS COMMISSION	268
TEXAS WORKFORCE COMMISSION	273

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – OTHER AUDITORS

LAMAR UNIVERSITY	280
SAM HOUSTON STATE UNIVERSITY	288
STEPHEN F AUSTIN STATE UNIVERSITY	291
TARLETON STATE UNIVERSITY	293
TEXAS A&M ENGINEERING EXPERIMENT STATION	304
TEXAS SOUTHERN UNIVERSITY	306
TEXAS TECH UNIVERSITY	314
TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER	317
THE UNIVERSITY OF TEXAS AT ARLINGTON	319
THE UNIVERSITY OF TEXAS AT AUSTIN	326
THE UNIVERSITY OF TEXAS AT DALLAS	331
THE UNIVERSITY OF TEXAS AT EL PASO	333
THE UNIVERSITY OF TEXAS AT SAN ANTONIO	336
THE UNIVERSITY OF TEXAS HEALTH SCIENCE CENTER AT SAN ANTONIO	340
THE UNIVERSITY OF TEXAS MEDICAL BRANCH AT GALVESTON	342

**STATE OF TEXAS
TABLE OF CONTENTS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
AND CORRECTIVE ACTION PLAN
YEAR ENDED AUGUST 31, 2025**

THE UNIVERSITY OF TEXAS PERMIAN BASIN	346
THE UNIVERSITY OF TEXAS SOUTHWESTERN MEDICAL CENTER	353
UNIVERSITY OF HOUSTON	355
UNIVERSITY OF NORTH TEXAS	366
UNIVERSITY OF NORTH TEXAS AT DALLAS	370
CORRECTIVE ACTION PLAN	
DEPARTMENT OF FAMILY AND PROTECTIVE SERVICES	379
THE GENERAL LAND OFFICE	380
HEALTH AND HUMAN SERVICES COMMISSION	381
OFFICE OF THE GOVERNOR	392
TEXAS COMMISSION ON ENVIRONMENTAL QUALITY	393
TEXAS DEPARTMENT OF AGRICULTURE	394
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS	395
TEXAS HIGHER EDUCATION COORDINATING BOARD	396
TEXAS WORKFORCE COMMISSION	397

University of Houston

2023-153

Eligibility

Federal Agency:	U.S. Department of Education
Federal Program Title:	Student Financial Assistance Cluster
Assistance Listing Number:	84.007; and 84.063
Pass-Through Agency:	N/A
Award Number:	Federal Supplemental Educational Opportunity Grants (FSEOG), P007A224166; and Federal Pell Grant Program, P063P222333
Award Period:	July 1, 2022, to June 30, 2023
Statistically Valid Sample:	No and not intended to be a statistically valid sample
Type of Finding:	Significant Deficiency and Noncompliance
Questioned Costs:	None
Repeat Finding:	No
Initial Year Written:	2023
Status:	Implemented

Federal Supplemental Educational Opportunity Grants (FSEOG)

The FSEOG program provides grants to eligible undergraduate students. Institutions are required to award FSEOG first to Federal Pell Grant recipients who have the lowest expected family contribution (EFC). If an institution has FSEOG funds remaining after giving FSEOG awards to all Federal Pell Grant recipients, it can then award the remaining FSEOG funds to eligible students with the lowest EFCs who did not receive Federal Pell Grants (Title 34, Code of Federal Regulations (CFR), Section 676.10).

If the total amount of calculated Title IV grant or loan assistance, or both, that a student earned is greater than the total amount of Title IV grant or loan assistance, or both, that was disbursed to the student, as of the date that the institution determines that the student has withdrawn, the difference between those amounts must be treated as a post-withdrawal disbursement in accordance with Title 34, CFR, Section 668.22(a)(6) and Section 668.164(i) (Title 34, CFR, Section 668.22(a)(5)).

The institution must disburse directly to a student any amount of a post-withdrawal disbursement of grant funds that is not credited to the student's account. The institution must make the disbursement as soon as possible, but no later than 45 days after the date of the institution's determination that the student withdrew (Title 34, CFR, Section 668.22(a)(6)(ii)(B)(1)).

Based on a review of the full population of student financial assistance recipients, the University of Houston (University) awarded a total of \$6,500 in FSEOG assistance to 5 students who did not also receive a Federal Pell Grant. Specifically:

- For three students, the University did not award Federal Pell Grants to those students because the students reported on their Free Application for Federal Student Aid (FAFSA) that they had earned a bachelor's degree or were working on a degree beyond a bachelor's degree. After auditors brought these errors to the University's attention, the University canceled the FSEOG awards to those students; therefore there were no questioned costs.
- For one student, the University did not award a Federal Pell Grant to the student for the term in which the student received FSEOG funds. Due to a manual error, the University applied the student's Federal Pell Grant to the wrong term. After auditors brought the error to the University's attention, the University corrected the Federal Pell Grant award to the correct term; therefore there were no questioned costs.

- For one student, the University did not award a Federal Pell Grant to the student due to a hold that was placed on the student's account for an incomplete task. After auditors brought the error to the University's attention, the University reviewed the student's account and determined the hold should be removed. The University processed a post-withdrawal disbursement of Federal Pell Grant funds 324 days after the date of the University's determination that the student withdrew. There were no questioned costs as a result of this error.

Although the University had monitoring controls in place to ensure accurate awarding of federal funds, it did not have an adequate process to identify the errors discussed above.

Corrective Action:

Corrective action was taken.

2023-154

Special Tests and Provisions – Disbursements To or On Behalf of Students

Federal Agency:	U.S. Department of Education
Federal Program Title:	Student Financial Assistance Cluster
Assistance Listing Number:	84.063; 84.268; and 84.379
Pass-Through Agency:	N/A
Award Number:	Federal Pell Grant Program, P063P222333; Federal Direct Student Loans, P268K232333; and Teacher Education Assistance for College and Higher Education Grants (TEACH), P379T232333
Award Period:	July 1, 2022, to June 30, 2023
Statistically Valid Sample:	No and not intended to be a statistically valid sample
Type of Finding:	Significant Deficiency and Noncompliance
Questioned Costs:	None
Repeat Finding:	No
Initial Year Written:	2023
Status:	Partially Implemented

Allowable Charges

An institution may credit a student's ledger account with Title IV, Higher Education Act of 1965 (HEA) program funds to pay for allowable charges associated with the current payment period. Allowable charges are: (1) the amount of tuition, fees, and institutionally provided room and board assessed the student for the payment period or the prorated amount of those charges if the institution debits the student's ledger account for more than the charges associated with the payment period; and (2) the amount incurred by the student for the payment period for purchasing books, supplies, and other educationally related goods and services provided by the institution for which the institution obtains the student's or parent's authorization under Section 668.165(b) (Title 34, Code of Federal Regulations (CFR), Section 668.164(c)(1)).

If an institution obtains written authorization from a student or parent, as applicable, the institution may: (1) use the student's or parent's Title IV, HEA program funds to pay for charges that are included in that authorization, and (2) hold on behalf of the student or parent any Title IV, HEA program funds that would otherwise be paid directly to the student or parent as a credit balance, unless the Secretary provides funds to the institution under the reimbursement payment method or the heightened cash monitoring payment method (Title 34, CFR, Section 668.165(b)(1)).

An institution may not use Title IV funds to pay finance charges or fees that are incurred because a student uses a financing method provided by the school to pay for educational expenses over time. Because students or families choose to incur these additional expenses rather than paying the balance due at registration, the additional charges are not considered educational expenses, and may not be included in a student's cost of attendance. (U.S. Department of Education, *2022-2023 Federal Student Aid Handbook*, Volume 3, Chapter 2).

For 13 (21 percent) of 62 students tested, the University of Houston (University) used Title IV funds to pay unallowable charges. Some of those students were affected by both errors discussed below. Specifically:

- For eight students, the University credited student ledger accounts during the payment period for unallowable charges unrelated to tuition, fees, or institutionally provided room and board. The unallowable finance charges paid with Title IV funds included various fees (credit card processing, severance of service, installment origination, and late fees), and various loan charges. Those charges are unallowable whether the University obtains student or parent authorization or not. The University asserted it is conducting a comprehensive review of all charges to determine allowability for Title IV funds.
- For eight students, the University credited student ledger accounts during the payment period for charges other than tuition, fees, or institutionally provided room and board without obtaining the authorization of the student or parent. The unallowable charges paid with Title IV funds included various parking and garage related fees, meal plan tax charges, and book loan university fund charges. Those errors occurred because the University did not have a process to obtain written authorization from a student or parent to apply Title IV funds to charges other than tuition, fees, and institutionally provided room and board.

Not receiving all Title IV funds a student is entitled to impairs students' and parents' ability to budget for the cost of attending.

Recommendations:

The University should strengthen its controls to ensure that:

- It does not credit student ledger accounts for unallowable charges.
- It obtains written authorization from students or parents prior to crediting student ledger accounts for certain charges.

Views of Responsible Officials 2023:

The University acknowledges and agrees with the findings. Through analysis of the exceptions identified in the audit, the University will work to develop and implement corrective action to further improve the processes.

Corrective Action Plan 2023:

There is a current initiative at the university to complete a comprehensive review of all of our current charge item types for Title IV allowable/non-allowable purposes. The Office of Scholarships and Financial Aid is working with Student Business Services (SBS) and each academic college to departmentalize the charges. Once this effort is complete, we will work with SBS and Accounting to begin setting up and testing the required changes. We are committed to making the necessary changes in order to be in compliance but want to make sure it is understood that this is a monumental undertaking that will require considerable effort. It will demand a massive commitment of resources and time. Due to the nature of PeopleSoft and the effects of effective dating, this update will need to be implemented prior to the beginning of an aid year. We will take precautions to prevent inadvertent errors and system glitches by implementing these changes in 2025-2026.

The Office of Scholarships and Financial Aid in conjunction with Student Business Services are in the early stages of implementing functionality in PeopleSoft that will allow students to provide permission to apply financial aid for charges other than allowable charges. The implementation of this functionality will allow us to obtain written authorization from students or parents prior to crediting student ledger accounts for certain charges.

Views of Responsible Officials 2024:

The University acknowledges and agrees with the findings. Through analysis of the exceptions identified in the audit, the University will work to develop and implement corrective action to further improve the processes.

Corrective Action Plan 2024:

There is a current initiative at the university to complete a comprehensive review of all of our current charge item types for Title IV allowable/non-allowable purposes. The Office of Scholarships and Financial Aid is working with Student Business Services (SBS) and each academic college to departmentalize the charges. Once this effort is complete, we will work with SBS and Accounting to begin setting up and testing the required changes. We are committed to making the necessary changes in order to be in compliance but want to make sure it is understood that this is a monumental undertaking that will require considerable effort. It will demand a massive commitment of resources and time. Due to the nature of PeopleSoft and the effects of effective dating, this update will need to be implemented prior to the beginning of an aid year. We will take precautions to prevent inadvertent errors and system glitches by implementing these changes in 2025-2026.

The Office of Scholarships and Financial Aid in conjunction with Student Business Services are in the early stages of implementing functionality in PeopleSoft that will allow students to provide permission to apply financial aid for charges other than allowable charges. The implementation of this functionality will allow us to obtain written authorization from students or parents prior to crediting student ledger accounts for certain charges.

Views of Responsible Officials 2025:

The University acknowledges and agrees with the findings. Through analysis of the exceptions identified in the audit, the University will work to develop and implement corrective action to further improve the process.

Corrective Action Plan 2025:

Significant progress has been made towards the completion of the necessary compliance adjustments. An important step, finalizing the review of the current charge item types for Title IV allowable/non-allowable purposes, has been completed. The office of Scholarships and Financial Aid has been working with SBS and Accounting to organize the requisite testing parameters and schedules for the required changes. The University is committed to implementing the necessary changes to ensure full compliance. We recognize that this initiative involves significant complexity and will require substantial resources, and we are approaching it with the due diligence required. Because of how PeopleSoft handles effective dating, this update needs to be made before the start of an aid year. To avoid mistakes and technical issues, we will introduce these changes in 2025-2026, starting with Summer 2026. This schedule ensures the updates are fully in place for the 2026-2027 academic year, beginning in Fall 2026.

The Office of Scholarships and Financial Aid in conjunction with Student Business Services are in the early stages of implementing functionality in PeopleSoft that will allow students to provide permission to apply financial aid for charges other than allowable charges. The implementation of this functionality will allow us to obtain written authorization from students or parents prior to crediting student ledger accounts for certain charges. This is expected to be available prior to Summer 2026 registration.

Implementation Date: May 2026

Responsible Person: Kevin Burns, Bursar, Student Business Services
Gretta McClain Gibbs, Director, Account Services
Ben Montecillo, Executive Director, Scholarships & Financial Aid

2023-155

Special Tests and Provisions – Return of Title IV Funds

Federal Agency:	U.S. Department of Education
Federal Program Title:	Student Financial Assistance Cluster
Assistance Listing Number:	84.007; 84.063; 84.268; and 84.379
Pass-Through Agency:	N/A
Award Number:	Federal Supplemental Educational Opportunity Grants (FSEOG), P007A224166; Federal Pell Grant Program, P063P222333; Federal Direct Student Loans, P268K232333; and Teacher Education Assistance for College and Higher Education Grants (TEACH), P379T232333
Award Period:	July 1, 2022, to June 30, 2023
Statistically Valid Sample:	No and not intended to be a statistically valid sample
Type of Finding:	Significant Deficiency and Noncompliance
Questioned Costs:	None
Repeat Finding:	No
Initial Year Written:	2023
Status:	Partially Implemented

Return of Title IV Calculations

When a student who received Title IV grant or loan assistance withdraws from an institution during a payment period or period of enrollment in which the student began attendance, the institution must determine the amount of Title IV grant or loan assistance that the student earned as of the student's withdrawal date (Title 34, Code of Federal Regulations (CFR), Section 668.22(a)(1)). If the total amount of Title IV grant or loan assistance earned by the student is less than the amount that was disbursed to the student or on the student's behalf as of the date of the institution's determination that the student withdrew, the difference must be returned to the Title IV programs and no additional disbursements may be made to the student for the payment period or period of enrollment (Title 34, CFR, Section 668.22(a)(4)).

The amount of earned Title IV grant or loan assistance is calculated by (1) determining the percentage of Title IV grant or loan assistance that the student has earned and (2) applying that percentage to the total amount of Title IV grant or loan assistance that was or could have been disbursed to the student or on the student's behalf for the payment period or period of enrollment as of the student's withdrawal date. Students earn 100 percent of their Title IV grant or loan assistance if their withdrawal date is after the completion of 60 percent of the payment period or period of enrollment. The unearned amount of Title IV grant or loan assistance to be returned is calculated by subtracting the amount of Title IV assistance a student earned from the amount of Title IV assistance that was disbursed to the student or on the student's behalf as of the date of the institution's determination that the student withdrew (Title 34, CFR, Section 668.22(e)).

The institution must return the lesser of the total amount of unearned Title IV assistance calculated above or an amount equal to the total institutional charges incurred by the student for the payment period or period of enrollment multiplied by the percentage of Title IV grant or loan assistance not earned by the student. For purposes of this calculation, "institutional charges" are tuition, fees, room and board (if the student contracts with the institution for the room and board), and other educationally related expenses assessed by the institution (Title 34, CFR, Section 668.22(g)). The institutional charges used in the calculation are usually the charges that were initially assessed to the student for the entire payment period or period of enrollment, as applicable. Initial charges may be adjusted only by those changes the institution made prior to the student's withdrawal, such as a change in enrollment status unrelated to the withdrawal (U.S. Department of Education, *2022-2023 Federal Student Aid Handbook*, Volume 5, Chapter 1, Section: Institutional Charges).

The University of Houston (University) made errors in Title IV return calculations for 18 (30 percent) of 60 students tested. Specifically:

- For 15 students, the University made errors in determining the amount of institutional charges to be used in the return calculation by including unallowable charges in its calculation for those students.
- For two students, the University returned the incorrect amount of Title IV funds due to manual entry errors. For one of those students, the University also incorrectly included unallowable charges in the student's return calculation as discussed above.
- For one student, the University incorrectly canceled the student's Federal Pell Grant award before its calculation. The University asserted that was due to a processing error in its student information system.

There were no questioned costs as a result of those errors because for each student the University returned more than the required amount or the error did not affect the amount of Title IV grant or loan assistance to be returned.

Recommendations:

The University should:

- Calculate institutional charges in accordance with U.S. Department of Education requirements.

Views of Responsible Officials 2023:

The University acknowledges and agrees with the findings. Through analysis of the exceptions identified in the audit, the University will work to develop and implement corrective action to further improve the processes.

Corrective Action Plan 2023:

(1) The University will develop a process to identify all institutional charges and create a master list that will categorize the charges into allowable and non-allowable charges. The master list will be utilized to determine which institutional charges may be included in the calculation of Return of Title IV.

(2) The University will coordinate with the Institute of Global Engagement and Online Functional Support to obtain evidence of academic engagement utilizing the learning management software system for students in online only course and confirm active participation for study-abroad coursework.

(3) The University will establish a review process to ensure consistency and accuracy in R2T4 calculations. and conduct regular internal audits of a sample of R2T4 calculations to identify errors or discrepancies.

Views of Responsible Officials 2024:

The University acknowledges and agrees with the findings. Through analysis of the exceptions identified in the audit, the University will work to develop and implement corrective action to further improve the processes.

Corrective Action Plan 2024:

(1) The University will develop a process to identify all institutional charges and create a master list that will categorize the charges into allowable and nonallowable charges. The master list will be utilized to determine which institutional charges may be included in the calculation of Return of Title IV.

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The University acknowledges and agrees with the findings. Through analysis of the exceptions identified in the audit, the University will work to develop and implement corrective action to further improve the process.

Corrective Action Plan 2025:

(1) The University will develop a process to identify all institutional charges and create a master list that will categorize the charges into allowable and nonallowable charges. The master list will be utilized to determine which institutional charges may be included in the calculation of Return of Title IV.

(2) The University will coordinate with the Institute of Global Engagement and Online Functional Support to obtain evidence of academic engagement utilizing the learning management software system for students in online only course and confirm active participation for study-abroad coursework.

(3) The University will establish a review process to ensure consistency and accuracy in R2T4 calculations. and conduct regular internal audits of a sample of R2T4 calculations to identify errors or discrepancies.

Implementation Date: May 2026

Responsible Person: Ben Montecillo, Executive Director, Scholarships & Financial Aid
Frank Gomez, Associate Director, Scholarships & Financial Aid

2023-156

Special Tests and Provisions – Enrollment Reporting

Federal Agency:	U.S. Department of Education
Federal Program Title:	Student Financial Assistance Cluster
Assistance Listing Number:	84.063; and 84.268
Pass-Through Agency:	N/A
Award Number:	Federal Pell Grant Program, P063P222333; and Federal Direct Student Loans, P268K232333
Award Period:	July 1, 2022, to June 30, 2023
Statistically Valid Sample:	No and not intended to be a statistically valid sample
Type of Finding:	Significant Deficiency and Noncompliance
Questioned Costs:	None
Repeat Finding:	No
Initial Year Written:	2023
Status:	Partially Implemented

Federal regulations and related guidance governing Title IV student aid programs require schools to report the enrollment of students who receive federal student aid (U.S. Department of Education, *National Student Loan Data System (NSLDS) Enrollment Reporting Guide*, November 2022, Chapter 2). Unless an institution expects to submit its next enrollment reporting roster file to the Secretary of the U.S. Department of Education within the next 60 days, it must notify the Secretary within 30 days if it discovers that a Federal Direct Student Loan (Direct Loan) has been made to or on behalf of a student who (1) enrolled at that institution but has ceased to be enrolled on at least a half-time basis; (2) has been accepted for enrollment at that institution but failed to enroll on at least a half-time basis for the period for which the loan was intended; or (3) has changed his or her permanent address (Title 34, Code of Federal Regulations (CFR), Section 685.309(b)). Enrollment reporting roster files also must include Federal Pell Grant-only recipients (Title 34, CFR, Section 690.83(b)(2); and *Dear Colleague Letter*, March 30, 2012 (GEN-12-06)).

Institutions are required to report the campus-level enrollment for the student, including enrollment status and the effective date of that enrollment status. For enrollment status changes to three-quarter-time, half-time, and less-than-half-time status, the institution must use the effective date that the student dropped to those particular statuses (*NSLDS Enrollment Reporting Guide*, November 2022, Chapter 1, 4, 7, and Appendix C). Institutions also are required to report the program(s) of attendance for the student, including classification of instructional programs (CIP) code, program credential level, program length, program enrollment status, and other data about the program. The program enrollment effective date is the date that the current enrollment status reported for a student was first effective and the program begin date is the date the student first began attending the program being reported (*NSLDS Enrollment Reporting Guide*, November 2022, Chapters 1 and 4). For a student who has graduated, institutions that initially report a withdrawn status must subsequently report the student as having graduated by certifying a "G" status at the campus level and/or program level as appropriate (*NSLDS Enrollment Reporting Guide*, November 2022, Chapter 4, Section 4.4.3).

The University of Houston (University) uses the services of the National Student Clearinghouse (NSC) to report status changes to NSLDS. Under this arrangement, the University reports all students enrolled and their status to NSC. NSC then identifies any changes in status and reports those changes to NSLDS when required. Although the University uses the services of NSC, the University still has the primary responsibility to report any changes in student enrollment status accurately and in a timely manner (*NSLDS Enrollment Reporting Guide*, November 2022, Chapter 3, Section 3.3).

For 24 (75 percent) of 32 students tested who received a Direct Loan and ceased to be enrolled on at least a half-time basis or changed their permanent address, the student's enrollment status was not reported to NSLDS in a timely manner. Specifically:

- For 23 students, the students' graduated status for the Spring 2023 term was not received by NSLDS until 85 days after that status became effective on May 11, 2023. The University certified and submitted the graduation file to NSC on June 22, 2023; however, the statuses were not received by NSLDS until August 4, 2023.
- For one student, the University reported the status change 146 days after the student's graduated status became effective.

The errors discussed above occurred because the University did not have a process to ensure that student enrollment and program information reported to NSC was accurately reported to NSLDS in a timely manner. Not reporting student status changes accurately and in a timely manner could affect determinations that guarantors, lenders, and servicers of student loans make related to in-school status, deferments, grace periods, and repayment schedules.

Recommendation:

The University should develop and implement controls to ensure that campus-level and program-level data elements are reported to NSLDS accurately and in a timely manner.

Views of Responsible Officials 2023:

The University acknowledges and agrees with the findings. Through analysis of the exceptions identified in the audit, the University will work to develop and implement corrective action to further improve the processes.

Corrective Action Plan 2023:

The Office of the Registrar and the Office of Scholarships and Financial Aid will collaborate to identify the root cause of why some student data is not being reported in a timely manner. The Office of the Registrar will also institute monthly validation into their business processes in alignment with the NSC and NSLDS submission schedule.

Views of Responsible Officials 2024:

The University acknowledges and agrees with the findings. Through analysis of the exceptions identified in the audit, the University will work to develop and implement corrective action to further improve the processes.

Corrective Action Plan 2024:

The Office of the Registrar and the Office of Scholarships and Financial Aid will collaborate to identify the root cause of why some student data is not being reported in a timely manner. The Office of the Registrar will also institute monthly validation into their business processes in alignment with the NSC and NSLDS submission schedule.

Views of Responsible Officials 2025:

The University acknowledges and agrees with the findings. Through analysis of the exceptions identified in the audit, the University will work to develop and implement corrective action to further improve the process.

Corrective Action Plan 2025:

The University of Houston is implementing corrective actions to ensure compliance with federal graduation reporting requirements through enhanced internal controls and accelerated processing timelines. Although federal regulations allow the 60-day reporting window to begin upon official degree posting, the University has adopted a more rigorous standard by initiating the reporting timeline from the close of the academic term. This control mitigates the risk of noncompliance resulting from external processing delays and third-party reporting cycles.

The University will also implement ad hoc reporting procedures by requesting off-cycle data transmissions by the National Student Loan Data System (NSLDS). This mitigation strategy decreases reliance on the National Student Clearinghouse’s standard automated reporting cycles and provides assurance that graduation data is transmitted and reflected in NSLDS well within required timeframes.

Implementation Date: December 2025

Responsible Person: Scott Sawyer, University Registrar
Rachel Honora, Senior Associate Registrar

2023-157

Special Tests and Provisions - Gramm-Leach-Bliley Act - Student Information Security

Federal Agency:	U.S. Department of Education
Federal Program Title:	Student Financial Assistance Cluster
Assistance Listing Number:	Cross-cutting
Pass-Through Agency:	N/A
Award Number:	Cross-cutting
Award Period:	July 1, 2022, to June 30, 2023
Statistically Valid Sample:	No and not intended to be a statistically valid sample
Type of Finding:	Significant Deficiency and Noncompliance
Questioned Costs:	None
Repeat Finding:	No
Initial Year Written:	2023
Status:	Partially Implemented

Gramm-Leach-Bliley Act

Institutions must protect sensitive data, including information obtained in support of the administration of federal student financial assistance programs, as required by the Gramm-Leach-Bliley Act (GLBA) (Public Law 106-102). Under their Program Participation Agreement (PPA) and the GLBA, postsecondary educational institutions must protect student financial aid information, with particular attention to information provided by the Department of Education or otherwise obtained in support of the administration of the Title IV Federal student financial aid programs (*Dear Colleague Letter*, July 1, 2016 (GEN-16-12)). Institutions are required to develop, implement, and maintain an information security program that includes the minimum elements in Title 16, Code of Federal Regulations (CFR), Section 314.4. Those minimum requirements include conducting a periodic inventory of data, noting where it is collected, stored, or transmitted (Title 16, CFR, Section 314.4(c)(1)). In addition, the institution must designate a qualified individual responsible for overseeing, implementing, and enforcing the institution's information security program (Title 16, CFR, Section 314.4(a)).

The University of Houston's (University) information security program did not address the implementation of all minimum safeguards as required by the GLBA. Specifically, while the University had designated a Qualified Individual to coordinate its information security program and had a written information security program in place, that program did not meet the requirements for conducting a periodic inventory of data. Not implementing all required safeguards in its information security program increases the University's risk of data breach or loss.

Recommendation:

The University should ensure that all elements required by the GLBA are documented and implemented in its information security program.

Views of Responsible Officials 2023:

The University acknowledges and agrees with the findings. Through analysis of the exceptions identified in the audit, the University will work to develop and implement corrective action to further improve the processes.

Corrective Action Plan 2023:

The University information security program and associated safeguards will be reviewed to ensure all elements of the GLBA are addressed and implemented. Any missing requirements will be documented and implemented to ensure full compliance with the GLBA.

Views of Responsible Officials 2024:

The University acknowledges and agrees with the findings. Through analysis of the exceptions identified in the audit, the University will work to develop and implement corrective action to further improve the processes.

Corrective Action Plan 2024:

The University information security program and associated safeguards will be reviewed to ensure all elements of the GLBA are addressed and implemented. Any missing requirements will be documented and implemented to ensure full compliance with the GLBA.

Views of Responsible Officials 2025:

The University acknowledges and agrees with the findings. Through analysis of the exceptions identified in the audit, the University will work to develop and implement corrective action to further improve the processes.

Corrective Action Plan 2025:

The University information security program and associated safeguards will be reviewed to ensure all elements of the GLBA are addressed and implemented. A plan for conducting a periodic inventory of data is being developed. A full data inventory will be completed by May 2026.

Implementation Date: May 2026

Responsible Person: Jana Chvatal, Executive Director, Enterprise IT Security Risk Management & Compliance



Statewide Single Audit Report for the Year Ended August 31, 2025

- The State’s basic financial statements for fiscal year 2025 were materially correct and presented in accordance with accounting principles generally accepted in the United States of America.
- The State’s Schedule of Expenditures of Federal Awards for fiscal year 2025 was materially correct in relation to the State’s basic financial statements.
- We also issued a report on internal control over financial reporting and on compliance and other matters as required by auditing standards.

Lisa R. Collier, CPA, CFE, CIDA
State Auditor

In our audit opinion dated February 20, 2026, we concluded that the basic financial statements for the State of Texas presented fairly, in all material respects, the financial position and activities of the State for the fiscal year ended August 31, 2025. The Office of the Comptroller of Public Accounts (Comptroller’s Office) prepared the basic financial statements and published our audit opinion as part of the Annual Comprehensive Financial Report (ACFR) for fiscal year 2025, which it intends to post on its website at <https://comptroller.texas.gov/transparency/reports/comprehensive-annual-financial/>.

• *Audit Objective* | p. 17

This audit was conducted in accordance with Texas Government Code, Section 403.013(c), and Title 31, United States Code, Section 7502.

The consolidated financial statements provide a comprehensive view of the State’s financial activities during the fiscal year and an overall picture of the financial position of the State at the end of the fiscal year. Compiling the State’s consolidated financial statements is a major undertaking; those financial statements combine financial information for more than 200 state agencies and higher education institutions.

INDEPENDENT AUDITOR’S REPORT

Summary of Auditor’s Results
[Chapter 1 | p. 5](#)

Report on Internal Control
[Chapter 1 | p. 6](#)

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Summary Schedule of Prior Audit Findings
[Chapter 2-A | p. 9](#)

Schedules of Expenditures of Federal Awards – Prior Findings
[Chapter 2-B | p. 10](#)



Summary Schedule of Prior Audit Findings

Chapter 2-A

Summary Schedule of Prior Audit Findings

Federal regulations (Title 2, U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*) state that “the auditee is responsible for follow-up and corrective action on all audit findings.” As part of this responsibility, the auditees report the corrective actions they have taken for the findings reported in:

- [State of Texas Financial Portion of the Statewide Single Audit Report for the Year Ended August 31, 2023](#) (State Auditor’s Office Report No. 24-555, February 2024).
- [State of Texas Financial Portion of the Statewide Single Audit Report for the Year Ended August 31, 2024](#) (State Auditor’s Office Report No. 25-555, February 2025).

The Summary Schedule of Prior Audit Findings (for the year ended August 31, 2025) has been prepared to address these responsibilities.

Chapter 2-B

Schedules of Expenditures of Federal Awards –

Prior Findings

The agencies and higher education institutions discussed below did not appropriately prepare or adequately review their **fiscal year 2024** Schedules of Expenditures of Federal Awards (SEFAs).

Department of State Health Services

Reference No. 25-555-01

Type of finding: Significant Deficiency

On its fiscal year 2024 SEFA, the Department of State Health Services (DSHS):

- Understated expenditures by \$28,535,432 for 43 Assistance Listing Numbers. The understatement occurred because DSHS incorrectly included prior year accruals and excluded current year accruals. As a result, DSHS understated federal revenues by the same amount in Note 2.
- Understated expenditures by \$651,990,131 for 10 Assistance Listing Numbers by incorrectly reporting pass-through revenue amounts as direct expenditures. As a result, DSHS understated federal revenues by the same amount in Note 2.
- Overstated expenditures by \$960,589 for 3 Assistance Listing Numbers. The amount reported on the SEFA was not supported by DSHS's accounting system. As a result, DSHS overstated federal revenues by the same amount in Note 2, and understated the amount reported in Note 1 by \$10,832,778.

Schedule of Expenditures of Federal Awards

Each state entity that expends federal awards is required to prepare a Schedule of Expenditures of Federal Awards (SEFA) and submit it to the Office of the Comptroller of Public Accounts (Comptroller's Office). The expenditures are to be presented in the SEFA on the same accounting basis as each state entity's fund financial statements.

Federal awards include federal financial assistance and federal cost-reimbursement contracts that non-federal entities receive directly from federal awarding agencies or indirectly from pass-through entities (Title 2, U.S. Code of Federal Regulations (CFR), Section 200.1).

Federal financial assistance includes assistance that non-federal entities receive or administer in the form of grants, loans, loan guarantees, non-cash contributions or donations of property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance (Title 2, CFR, Section 200.1).

Source: *Reporting Requirements for the Annual Financial Reports of State Agencies and Universities*, Comptroller's Office.

Implementation Status

Corrective action was implemented.

University of Houston

Reference No. 24-555-09

Type of finding: Significant Deficiency

On its fiscal year 2023 SEFA, the University of Houston overstated expenditures by \$1,353,472 for ALN 97.036, Federal Disaster Grants – Public Assistance (Presidentially Declared Disasters). The overstatement occurred because the University of Houston incorrectly included expenditures associated with project worksheets that FEMA [Federal Emergency Management Agency] approved in prior fiscal years. As a result, federal revenue reported in Note 2 was overstated by the same amount, and expenditures disclosed in Note 8 were overstated by \$1,374,778.¹ On its SEFA for Note 8, an entity should report only expenditures that were incurred in a prior fiscal year and associated with a project worksheet that FEMA approved in the current fiscal year.

Implementation Status

Corrective action was implemented.

¹ In relation to one project worksheet, the University of Houston reported fewer expenditures in the Certified SEFA than were disclosed in Note 8.

Appendix 2

Agencies and Higher Education Institutions Audited

Financial accounts were audited at the following agencies:

- Health and Human Services Commission.
- Office of the Comptroller of Public Accounts.
- Texas Education Agency.
- Texas General Land Office.
- Texas Water Development Board.
- Texas Workforce Commission.

Schedules of Expenditures of Federal Awards at the following agencies and higher education institutions were audited by either the State Auditor's Office or CliftonLarsonAllen LLP:

- Department of Family and Protective Services.
- Department of Housing and Community Affairs.
- Department of State Health Services (auditors performed only prior year finding follow up work).
- Health and Human Services Commission.
- Lamar University (auditors performed only prior year finding follow up work).
- Office of the Governor.
- Texas Commission on Environmental Quality.
- Texas Department of Agriculture.
- Texas Department of Criminal Justice (auditors performed only prior year finding follow up work).
- Texas Education Agency.

- Texas General Land Office.
- Texas Higher Education Coordinating Board.
- Texas Water Development Board.
- Texas Workforce Commission.
- The University of Texas at Austin (auditors performed only prior year finding follow up work).
- University of Houston (auditors performed only prior year finding follow up work).

**UNIVERSITY OF HOUSTON SYSTEM
BOARD OF REGENTS AGENDA**

COMMITTEE: Audit and Compliance

ITEM: Report on University of Houston System, Internal Audit Reports

DATE PREVIOUSLY SUBMITTED:

SUMMARY:

The Fiscal Year 2026 Internal Audit Activity since March 12, 2026, and Internal Audit Reports issued since March 12, 2026, Audit & Compliance Committee meeting of the Board of Regents of the University of Houston System are provided.

The Internal Audit Reports included will be filed with the Governor's Office of Budget, Planning, and Policy; the State Auditor's Office; and the Legislative Budget Board, within the next 30 days, as required by the Texas Government Code, Section 2102.0091.

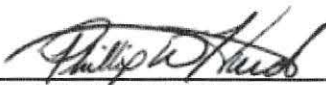
SUPPORTING

DOCUMENTATION: Internal Audit Activity and Internal Audit Reports

FISCAL NOTE:

**RECOMMENDATION/
ACTION REQUESTED:** Information

COMPONENT: University of Houston System



CHIEF AUDIT EXECUTIVE

Phillip W. Hurd

4/30/2026

DATE



CHANCELLOR

Renu Khator

5/18/26

DATE

Report to the Audit and Compliance Committee of the
University of Houston System
Board of Regents
May 21, 2026

UNIVERSITY OF HOUSTON SYSTEM
INTERNAL AUDITING DEPARTMENT

Fiscal Year 2026 INTERNAL AUDIT ACTIVITY
since March 12, 2026

and

INTERNAL AUDIT REPORTS

-

AR2026-16 University of Houston System, Contracts Requiring UHS Board of Regents Approval, Report to the Audit and Compliance Committee of the UHS Board of Regents

Note: This internal audit report is submitted to the Board of Regents and the Chancellor for their review in order to comply with the Board of Regents policy and the Texas Government Code, Section 2102.008. This internal audit report is also submitted to the Governor's Office of Budget, Planning, and Policy; the State Auditor; and the Legislative Budget Board in order to comply with the Texas Government Code, Section 2102.0091.

FY26 Internal Audit Activity

Since March 12, 2026 Board of Regents Audit and Compliance Committee Meeting

Audits Completed

- **AR2026-01** Contracts Requiring Board of Regents Approval (1st Quarter)
- **AR2026-02** Board of Regents Travel & Entertainment, FY25
- **AR2026-03** UH/UHS Chancellor/President's Travel & Entertainment, FY25
- **AR2026-04** UHCL President's Travel & Entertainment, FY25
- **AR2026-05** UHD President's Travel & Entertainment, FY25
- **AR2025-07** UH Foundation Donor Agreement Expenditures
- **AR2026-08** Texas Education Code §51.9337 Compliance
- **AR2026-09** UH Education Research Center
- **AR2026-10** UHD Joint Admission Medical Program, FY24 & FY25
- **AR2026-11** UH Joint Admission Medical Program, FY24 & FY25
- **AR2026-12** UH College of Medicine Joint Admission Medical Program, FY24 & FY25
- **AR2026-13** Contracts Requiring Board of Regents Approval (2nd Quarter)
- **AR2026-15** UHS Annual Procurement Report
- **AR2026-16** Contracts Requiring Board of Regents Approval (3rd Quarter)

Special Projects Completed

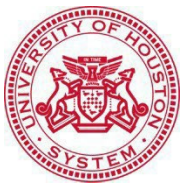
- UHS Institutional Compliance Fraud and Non-Compliance Hotline Reports (~49)
- UH COE/COT Department Expenditures
- UH Conflict of Interest
- UH Biology Department
- UHCL Research Center Budget/IDC

Audits in Progress

- Board of Regents Travel and Entertainment FY26
- President's Travel and Entertainment, FY26 (UHS, UH, UHCL, and UHD)
- Contracts Requiring Board of Regents Approval (UHS)
- Procurement Card Management (UH)
- Laboratory Safety (UH)
- UH Inventory of Protected Health Information
- UHD Inventory of Protected Health Information
- UHS TAC 202
- UHS Continuous Control Monitoring

Special Projects in Progress

- UHS Institutional Compliance Fraud and Non-Compliance Hotline (Varies per FY)
- UHCL Conflict of Interest (multiple)
- UH Gift Card Expenditures



Internal Auditing Department

University of Houston System Contracts Requiring UHS Board of Regents Approval

Report to the Audit and Compliance Committee of the UHS Board of Regents
AR2026-16

May 2026



Freshman Student Housing Project - Photo courtesy of University of Houston Information Technology Service Webcams.

Contents

Executive Summary	1
Background	1
Objective	1
Scope of Work	1
Audit Procedures	2
Conclusion	2
Appendices	2

Executive Summary

The Internal Auditing Department (IAD) reviewed the solicitation/purchasing process surrounding contracts that required UHS Board of Regents approval from January 1, 2026, through March 31, 2026. IAD noted no unusual items or other matters that we considered non-compliant with university policies and procedures or state statutes.

Background

UHS procures construction services under the provisions of the Texas Education Code, Sections 51.778 – 51.785. These statutes address the following construction methods: Design-Build, Construction Manager-Agent, Construction Manager-At-Risk, Construction Services through Competitive Sealed Proposals and Job Order Contracts. The UHS Facilities, Planning and Construction Department and the UH Purchasing Department have developed policies and procedures to help ensure compliance with these statutes. For major construction projects, UHS primarily uses the Design-Build and Construction Manager-At-Risk contract methods. The IAD reviews the RFQ / RFP publication, evaluation, and selection process for contracts requiring Board of Regents approval on an ongoing basis. The Internal Audit Department also reviews the procurement for other contracts requiring Board of Regents approval (RFQ/RFP, Invitation to Bid and Sole Source).

Objective

The objectives of this review are to determine whether UHS is complying with its policies and procedures and the Texas Education Code in selecting its contractors for contracts requiring Board of Regents approval.

Scope of Work

The IAD review of procurement of contracts requiring Board of Regents approval covers the time period from January 1, 2026, through March 31, 2026.

Audit Procedures

The IAD performed a review of the solicitation/procurement process surrounding contracts requiring UHS Board of Regents approval (totaling \$1 million or more) for compliance with policies and procedures. For each solicitation we reviewed the following for compliance with:

1. Requirements for publication of solicitation documents on the State Comptroller's Electronic State Business Daily;
2. Document inclusion in the bid/evaluation packet (e.g. bid receipt/review, subcontracting probability form, HUB subcontracting form, etc.), as required on the solicitation checklist;
3. Use of published bid evaluation criteria by the selection team;
4. The Purchasing Department's compilation procedures of the selection team members' rankings for clerical accuracy and agreement of evaluation criteria to solicitation documents;
5. Procedures for submission of recommendation to VC/VP; and
6. Evaluation procedures for VC/VP approval.

Conclusion

IAD noted no unusual items or other matters that we considered non-compliant with university policies and procedures or state statutes.

Appendices

Analysis of internal audit activity related to the review of contracts requiring UHS Board of Regents approval award evaluations can be found in Appendix 1. The project and contract amounts listed in Appendix 1 reflect the figures provided by the UH Purchasing Department at the time of our review.

Contracts Requiring Board of Regents Approval
Internal Audit Activity
January 1, 2026, through March 31, 2026

<u>Project or Contract Description</u>	<u>Solicitation Type/Number</u>	(\$ Millions) <u>Amount</u>	BOR <u>Approval</u>
<u>Construction Projects \$10 Million and Over</u>			
Job Order Contracting Services FY26 (Award)	RFP-730-UofH-3064	\$50.0	5/15/2024
Architectural Design Services FY26 (Award)	RFQ-783-UofH-3079	\$15.0	8/21/2025
<u>Construction Projects Over \$1 Million and Under \$10 Million</u>			
Agrawal 310 Science Lab Build Out FY26 (Award)	RFP-730-UofH-3077	\$2.6	2/19/2025
MEP Engineering Design Services FY26 (Award)	RFQ-783-UofH-3078	\$7.0	8/21/2025
<u>Non-Construction Contracts Over \$1 Million</u>			
Travel Management System FY25 (Award)	RFP-783-UofH-3050	\$1.5	PENDING
Photocopy Machines and Services FY26 (Award)	RFP-730-UofH-3071	\$4.5	PENDING

Legend

CMAR - Construction Manager at Risk

AE - Architectural and Engineering Services (RFQ only)

RFP - Request for Proposal

RFQ - Request for Qualifications

ITB - Invitation to Bid

**Contracts Requiring Board of Regents Approval
Internal Audit Activity
Jan 1, 2026, through March 31, 2026**

Project Category ¹	Project or Contract Description ¹	Solicitation Type/Number ¹	
Construction Projects \$10 Million and Over	Architectural Design Services FY26 (Award)	RFQ-783-UofH-3079	\$15,000,000
	Job Order Contracting Services FY26 (Award)	RFP-730-UofH-3064	\$50,000,000
Construction Projects Over \$1 Million and Under \$10 Million	Agrawal 310 Science Lab Build Out FY26 (Award)	RFP-730-UofH-3077	\$2,600,000
	MEP Engineering Design Services FY26 (Award)	RFQ-783-UofH-3078	\$7,000,000
Non-Construction Contracts Over \$1 Million	Photocopy Machines and Services FY26 (Award)	RFP-730-UofH-3071	\$4,500,000
	Travel Management System FY25 (Award)	RFP-783-UofH-3050	\$1,500,000

Grand Total

44

7 of 8

Internal Audit 5/21/26



The Texas Internal Auditing Act, Texas Government Code, Section 2102, requires each state agency that receives appropriation to establish a program of internal auditing. The University of Houston System Internal Auditing Department was created by the Board of Regents as an independent office reporting directly to the Chair of the Audit and Compliance Committee of the Board of Regents with access to the Chancellor. We conduct performance audits to review aspects of the University System operations and procedures to help establish accountability, improve System operations, and provide recommendations for improvement.

The UHS Internal Auditing Department would like to thank the UH Purchasing Department for their cooperation and assistance during this audit process.

Sincerely,

Phillip W. Hurd

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